



**Pure Gold Mining Inc.**

**Condensed Interim Consolidated Financial Statements**

**For the three and nine months ended September 30, 2020 and 2019**

*(Unaudited – Prepared by Management)*

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

**Notice of no Auditor Review of  
Comparative Period Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated financial statements of Pure Gold Mining Inc. (the "Company") for the three and nine months ended September 30, 2020 and 2019, have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of the comparative condensed interim consolidated statements of loss and comprehensive loss, changes in equity and cash flow for the three and nine month periods ended September 30, 2019 and the related notes in accordance with standards established by the Chartered Professional Accountants of Canada ("CPA Canada") for a review of interim financial statements by an entity's auditor.

# Pure Gold Mining Inc.

## Condensed Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Notes	As at September 30, 2020	As at December 31, 2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 56,590,777	\$ 70,277,719
Amounts receivable	4	3,194,768	987,226
Prepaid expenses	5	1,197,198	379,479
Short-term investments		57,500	23,000
		61,040,243	71,667,424
<b>Non-current Assets</b>			
Mineral properties, plant and equipment	7	143,891,482	48,814,564
Deferred finance charges	9	5,391,116	8,471,753
Reclamation deposits	8	1,322,799	1,322,799
Deposits	14	396,280	305,280
<b>Total Assets</b>		<b>\$ 212,041,920</b>	<b>\$ 130,581,820</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 24,557,455	\$ 6,433,948
Flow-through premium liability	13b, 16	3,256,579	849,637
Loans and borrowings	9	3,113,126	780,648
Lease liabilities	12	1,794,535	130,845
		32,721,695	8,195,078
<b>Non-current Liabilities</b>			
Loans and borrowings	9	46,610,118	18,232,909
Gold stream derivative liability	10	40,551,382	37,613,935
Provision for closure and reclamation	11	21,848,088	16,508,920
Lease liabilities	12	329,733	440,442
<b>Total Liabilities</b>		<b>142,061,016</b>	<b>80,991,284</b>
<b>Equity</b>			
Share capital	13a	189,770,030	156,770,937
Equity reserves	13c, 13d	13,929,648	15,777,081
Accumulated deficit		(133,718,774)	(122,957,482)
<b>Total Equity</b>		<b>69,980,904</b>	<b>49,590,536</b>
<b>Total Liabilities and Equity</b>		<b>\$ 212,041,920</b>	<b>\$ 130,581,820</b>

**Commitments & Contingencies** (Note 16)

**Subsequent Events** (Note 19)

Approved by the Audit Committee of the Board of Directors on November 12, 2020:

“Lenard Boggio”, Audit Committee Chair

“Graeme Currie”, Director

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

# Pure Gold Mining Inc.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Notes	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
<b>Expenses</b>					
Exploration and evaluation expenditures	6	\$ 2,806,420	\$ 3,643,163	\$ 3,020,552	\$ 7,247,427
Wages, consulting and director fees		537,367	394,897	1,457,825	1,191,811
Professional fees		527,249	1,141,297	1,102,898	2,117,853
Investor relations and communication		306,275	194,936	830,156	503,366
Share-based compensation	13	356,329	119,989	713,649	378,172
Office and rent		180,453	119,233	471,956	378,370
Listing and filing fees		100,035	32,604	265,892	639,511
Depreciation		41,301	34,893	117,628	112,762
<b>Operating Expenses</b>		<b>(4,855,429)</b>	<b>(5,681,012)</b>	<b>(7,980,556)</b>	<b>(12,569,272)</b>
<b>Other Income and (Expenses)</b>					
Loss on change in fair value of derivative	9,10	(6,444,245)	(3,299,400)	(6,835,741)	(3,299,400)
Foreign Exchange gain (loss)		1,521,675	(38,453)	2,860,980	(38,453)
Finance income		106,020	204,383	526,121	267,056
Accretion expense	11	(28,626)	(9,445)	(131,352)	(31,575)
Finance expense		(28,572)	(12,437)	(50,381)	(39,803)
Loss before Income Taxes		(9,729,177)	(8,836,364)	(11,610,929)	(15,711,477)
Income tax recovery	13b	-	-	849,637	-
<b>Net Loss and Comprehensive Loss for the Period</b>		<b>(9,729,177)</b>	<b>(8,836,364)</b>	<b>(10,761,292)</b>	<b>(15,711,447)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>		<b>393,294,279</b>	<b>338,845,127</b>	<b>371,380,983</b>	<b>287,778,999</b>
<b>Basic and Diluted Loss per Common Share</b>		<b>\$ (0.02)</b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>	<b>\$ (0.05)</b>

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

# Pure Gold Mining Inc.

## Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Notes	Number of Common Shares	Share Capital	Equity Reserves	Accumulated Deficit	Total
Balance – December 31, 2018		256,341,050	\$ 107,996,948	\$ 10,552,337	\$ (101,135,647)	\$ 17,413,638
Common share issuance - financing	13b	86,414,000	47,527,700	-	-	47,527,700
Share issue costs – cash		-	(2,864,160)	-	-	(2,864,160)
Fair value of warrants issued with common shares	13c	-	(4,881,288)	4,881,288	-	-
Share issue costs allocated to warrants		-	293,437	(293,437)	-	-
Flow-through common share issuance	13b	7,723,975	5,175,063	-	-	5,175,063
Flow-through premium liability		-	(849,637)	-	-	(849,637)
Share issue costs – cash		-	(526,312)	-	-	(526,312)
Common shares issuance – other	7,9	4,841,000	3,011,420	-	-	3,011,420
Exercised stock options		3,146,667	1,086,700	-	-	1,086,700
Fair value of exercised stock options	13d	-	801,066	(801,066)	-	-
Share-based compensation	13d	-	-	1,437,959	-	1,437,959
Net loss for the period		-	-	-	(21,821,835)	(21,821,835)
Balance – December 31, 2019		358,466,692	\$ 156,770,937	\$ 15,777,081	\$ (122,957,482)	\$ 49,590,536
Flow-through common share issuance	13b	9,868,421	15,000,000	-	-	15,000,000
Flow-through premium liability	13b	-	(3,256,579)	-	-	(3,256,579)
Share issue costs – cash	13b	-	(1,017,226)	-	-	(1,017,226)
Exercised warrants	13c	21,777,500	18,510,860	-	-	18,510,860
Fair value of exercised warrants	13c	-	2,173,115	(2,173,115)	-	-
Exercised stock options	13d	3,181,666	957,766	-	-	957,766
Fair value of exercised stock options	13d	-	631,157	(631,157)	-	-
Share-based compensation	13d	-	-	735,665	-	735,665
Deferred Share Unit compensation	13e	-	-	221,174	-	221,174
Net loss for the period		-	-	-	(10,761,292)	(10,761,292)
Balance – September 30, 2020		393,294,279	\$ 189,770,030	\$ 13,929,648	\$ (133,718,774)	\$ 69,980,904

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

# Pure Gold Mining Inc.

## Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Notes	For the Nine months ended September 30, 2020	For the Nine months ended September 30, 2019
<b>Operating Activities</b>			
Net loss for the period		\$ (10,761,292)	\$ (15,711,447)
Items not affecting cash:			
Change in fair value of derivative liabilities		6,835,741	3,299,400
Unrealized foreign exchange (gain) loss		(2,860,980)	34,261
Deferred income tax recovery		(849,637)	-
Share-based compensation	13d	713,649	378,172
Finance income		(526,121)	(267,056)
Accretion expense	11	131,352	31,575
Depreciation	7	182,919	194,977
Finance expense		50,381	39,803
Shares issued pursuant to a project agreement		-	630,000
Changes in non-cash working capital:			
Accounts payable and accrued liabilities		908,711	1,478,811
Prepaid expenses		(618,558)	(1,778,132)
Amounts receivable		(336,128)	(222,571)
Deposits		(91,000)	-
<b>Net cash used in operating activities</b>		<b>(7,220,963)</b>	<b>(11,892,207)</b>
<b>Investing Activities</b>			
Mineral properties, plant, and equipment	7	(69,701,151)	(2,324,496)
Interest received		526,121	267,233
Short-term investment		(34,500)	-
<b>Net cash (used in) provided by investing activities</b>		<b>(69,209,530)</b>	<b>(2,057,263)</b>
<b>Financing Activities</b>			
Proceeds from Credit Facility drawdown	9	27,820,000	7,710,036
Proceeds from equity financings	13b	15,000,000	52,702,763
Proceeds from exercised warrants	13c	18,510,860	-
Share issue costs		(1,017,226)	(3,413,712)
Issue Discount on Credit Facility drawdown	9	(562,640)	-
Proceeds from exercised stock options	13d	957,766	1,086,700
Payment of lease liabilities	12	(242,922)	(141,150)
Proceeds from PPA	9	-	5,277,907
Proceeds from Gold Stream	9	-	33,132,500
Sprott Facility transaction costs	11	-	(979,438)
<b>Net cash provided by financing activities</b>		<b>60,465,838</b>	<b>95,375,606</b>
Effect of foreign exchange on cash		2,277,713	(27,410)
<b>Net (Decrease) Increase in Cash</b>		<b>(15,964,655)</b>	<b>81,426,136</b>
<b>Cash - Beginning of the Period</b>		<b>70,277,719</b>	<b>4,254,624</b>
<b>Cash - End of the Period</b>		<b>\$ 56,590,777</b>	<b>\$ 85,653,350</b>

### Supplemental Cash Flow Information (Note 18)

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

*(Unaudited – Prepared by Management)*

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

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### 1. GENERAL INFORMATION

Pure Gold Mining Inc. (“Pure Gold” or the “Company”), is a publicly listed company incorporated and domiciled in Canada. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “PGM.” and the London Stock Exchange under the symbol “PUR”. The Company’s head office and principal address is located at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9. The Company’s records and registered office address is c/o McMillan LLP, 1500 Royal Centre PO Box 1117, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

Pure Gold is in the business of the acquisition, exploration and development of gold and other precious and base metal properties in Canada. Currently, the Company’s principal mineral property is the PureGold Mine Project (“PG Mine Project”) located near Red Lake, Ontario. In March 2019, Pure Gold filed a technical report for a feasibility-study on the PG Mine Project, and in August 2019 the Company announced the Board of Directors approval of a decision to construct at the PG Mine Project.

In August 2019 the Company completed the voluntary dissolution of its wholly owned subsidiary Laurentian Copper Corp., a private company incorporated under the Business Corporations Act of British Columbia in Canada, and therefore no longer prepares consolidated financial statements. These financial statements include the consolidated results of the Company and its wholly owned subsidiary up until August 2019.

The continued operations of the Company and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of the properties.

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### 2. BASIS OF PREPARATION

#### Statement of Compliance

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”).

These condensed interim consolidated financial statements do not include all of the information required for full IFRS financial statements and therefore should be read in conjunction with the Company’s most recent annual consolidated financial statements as at and for the year ended December 31, 2019.

The accounting policies and methods of application applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company’s audited financial statements for the year ended December 31, 2019.

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### 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

The critical estimates and judgements that the Company's management has made in the process of applying the Company's accounting policies, are disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2019.

#### COVID-19 Estimation Uncertainty

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The current and expected impacts on global commerce are anticipated to be far reaching. To date there has been significant volatility in equity, commodity and foreign exchange markets and the global movement of people and some goods has become restricted. The Company continues to operate its business and proceed with the development of the PG Mine Project, with only minor project delays resulting from delays in parts fabrication due to Covid-19 which has extended the development schedule by an additional month. There remains ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on future production, cash flows and on global financial markets. In addition, the significant volatility in commodity and foreign exchange markets may have a material impact on the fair value of the Company's embedded derivatives in the Credit Facility and the Gold Stream.

### 4. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

	September 30, 2020	December 31, 2019
Refundable goods and services tax/ harmonized sales tax	\$ 3,145,155	\$ 981,591
Other receivables	49,613	5,635
<b>Total</b>	<b>\$ 3,194,768</b>	<b>\$ 987,226</b>

### 5. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	September 30, 2020	December 31, 2019
Exploration deposit	\$ 546,550	\$ -
Insurance and benefits premiums	351,761	50,608
Other prepaid expenses	111,630	54,825
Software licenses	65,636	44,795
Investor relations and communication	84,018	56,357
Corporate listing and regulatory	25,477	-
Surety bond premium	12,126	48,502
Capital equipment purchase advances	-	124,392
<b>Total</b>	<b>\$ 1,197,198</b>	<b>\$ 379,479</b>



# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

Details of the Company's exploration and evaluation expenditures, which have been cumulatively expensed in the statement of income (loss) and comprehensive income (loss), are as follows:

For the nine months ended September 30, 2020	PureGold Mine Project <sup>(1)</sup>	Other Properties <sup>(2)</sup>	Total
Drilling	\$ 2,527,853	\$ -	\$ 2,527,853
Geophysics and geology	169,572	-	169,572
Salaries, wages and benefits	116,671	-	116,671
Equipment and supplies	117,836	-	117,836
Depreciation	65,292	-	65,292
Contractors/ consultants	11,381	-	11,381
Travel	11,947	-	11,947
<b>Expenditures for the period</b>	<b>3,020,552</b>	<b>-</b>	<b>3,020,552</b>
Cumulative balance – December 31, 2019	86,069,182	8,258,097	94,327,279
<b>Cumulative balance – September 30, 2020</b>	<b>\$ 89,089,734</b>	<b>\$ 8,258,097</b>	<b>\$ 97,347,831</b>

For the nine months ended September 30, 2019	PureGold Mine Project	Other Properties <sup>(1)</sup>	Total
Salaries, wages and benefits	\$ 969,417	\$ -	\$ 969,417
Contractors / consultants	1,193,359	-	1,193,359
Drilling	1,888,697	-	1,888,697
Feasibility Study	395,821	-	395,821
Engineering	389,289	-	389,289
Assaying	427,402	-	427,402
Utilities	203,980	-	203,980
Preliminary Economic Assessment	170,366	-	170,366
Camp & field costs	184,353	-	184,353
Travel and accommodation	148,044	-	148,044
Depreciation	81,609	-	81,609
Equipment rental	203,100	-	203,100
Community & safety	880,858	-	880,858
Property fees	68,716	-	68,716
Administration and other	42,416	-	42,416
<b>Expenditures for the period</b>	<b>7,247,427</b>	<b>-</b>	<b>7,247,427</b>
Cumulative balance – December 31, 2018	77,208,536	8,258,097	85,466,633
<b>Cumulative balance – September 30, 2019</b>	<b>\$ 84,455,963</b>	<b>\$ 8,258,097</b>	<b>\$ 92,714,060</b>

(1) Subsequent to August 7, 2019, exploration expenditures at the PG Mine Project relate to expenditures on satellite deposits that were not part of the original PG Mine Project feasibility study and for which the technical feasibility and commercial viability have not yet been determined.

(2) Other properties include Van Horne and generative projects.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

#### Van Horne Property, Ontario

The Company has an option agreement with KG Exploration Canada Inc. (“Kinross”) a subsidiary of Kinross Gold Corp. whereby Kinross has the option to acquire up to a 70% interest in the Company’s Van Horne property. To earn its 70% interest Kinross must spend a total of \$4,000,000 on Van Horne over a four year period, commencing March 2018, with a committed minimum of \$750,000 in year one (completed), and pay the Company \$100,000. Kinross may also satisfy the expenditures by making a cash payment to the Company.

### 7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Nine Months Ended September 30, 2020									
Cost	Mineral Properties and Mine Development (\$)	Construction in Progress (\$)	Computer Equipment & Software (\$)	Office Furniture & Other Equipment (\$)	Buildings (\$)	Land (\$)	Mine Fleet and Vehicles (\$)	Equipment & Infrastructure (\$)	Total (\$)
December 31, 2019	29,329,481	7,662,959	200,782	117,085	689,918	5,048,767	5,364,839	1,496,012	49,909,843
Capitalized borrowing costs	3,217,939	-	-	-	-	-	-	-	3,217,939
Reclamation provision	5,207,816	-	-	-	-	-	-	-	5,207,816
Additions	28,477,807	52,422,139	135,324	-	54,870	-	7,050,204	208,399	88,348,743
Transfers	-	(190,000)	-	-	190,000	-	-	-	-
September 30, 2020	66,233,043	59,895,098	336,106	117,085	934,788	5,048,767	12,415,043	1,704,411	146,684,341
<b>Accumulated Depreciation</b>									
December 31, 2019	-	-	(141,242)	(30,457)	(145,246)	-	(262,562)	(515,772)	(1,095,279)
Depreciation	-	-	(24,515)	(6,983)	(116,044)	-	(1,442,890)	(107,148)	(1,697,580)
September 30, 2020	-	-	(165,757)	(37,440)	(261,290)	-	(1,705,452)	(622,920)	(2,792,859)
<b>Carrying Amounts</b>									
December 31, 2019	29,329,481	7,662,959	59,540	86,628	544,672	5,048,767	5,102,277	980,240	48,814,564
September 30, 2020	66,233,043	59,895,098	170,349	79,645	673,498	5,048,767	10,709,591	1,081,491	143,891,482

  

Year Ended December 31, 2019									
Cost	Mineral Properties and Mine Development Costs (\$)	Construction in Progress (\$)	Computer Equipment & Software (\$)	Office Furniture & Other Equipment (\$)	Buildings (\$)	Land (\$)	Mine Fleet and Vehicles (\$)	Equipment & Infrastructure (\$)	Total (\$)
December 31, 2018	-	616,650	132,680	67,133	-	5,048,767	33,396	1,174,422	7,073,048
Right-of-use asset	-	-	-	-	689,918	-	-	-	689,918
Capitalized borrowing costs	1,144,587	-	-	-	-	-	-	-	1,144,587
Reclamation provision	14,148,952	-	-	-	-	-	-	-	14,148,952
Additions	6,049,097	7,046,309	68,102	49,952	-	-	5,331,443	321,590	18,866,493
Transfer to mineral properties	7,986,845	-	-	-	-	-	-	-	7,986,845
December 31, 2019	29,329,481	7,662,959	200,782	117,085	689,918	5,048,767	5,364,839	1,496,012	49,909,843
<b>Accumulated Depreciation</b>									
December 31, 2018	-	-	(123,886)	(34,999)	-	-	(19,082)	(374,179)	(552,146)
Reclassification	-	-	-	10,205	-	-	-	(10,205)	-
Depreciation	-	-	(17,356)	(5,663)	(145,246)	-	(243,480)	(131,388)	(543,133)
Disposals	-	-	-	-	-	-	-	-	-
December 31, 2019	-	-	(141,242)	(30,457)	(145,246)	-	(262,562)	(515,772)	(1,095,279)
<b>Carrying Amounts</b>									
December 31, 2018	-	616,650	8,794	32,134	-	5,048,767	14,314	800,243	6,520,902
December 31, 2019	29,329,481	7,662,959	59,540	86,628	544,672	5,048,767	5,102,277	980,240	48,814,564

Land has not been depreciated as it has an unlimited useful life. Depreciation on assets used in the development of the PG Mine Project of \$1,518,021 has been capitalized and included in the carrying value of mineral properties.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

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### 7. MINERAL PROPERTIES, PLANT AND EQUIPMENT (continued)

#### Mineral properties

Mineral properties consist solely of the PG Mine Project of which 100% interest was acquired in March 2014. The PG Mine Project is located in the Red Lake gold camp of Northwestern Ontario. In June 2014, the Company acquired a 100% interest in the Newman-Madsen Property. The Newman-Madsen Property is considered part of the PG Mine Project.

Certain of the Newman-Madsen claims acquired are subject to royalty arrangements based on Net Smelter Returns (“NSRs”) ranging from 0.5% to 3%. Of the known resources on the PG Mine Project, only the Russet South resources are subject to a 2% NSR which is capped at \$2,000,000.

In March 2017, the Company acquired a 100% interest in the Derlak Gold Property. The Derlak Gold Property is considered part of the PG Mine Project. The 11 claims acquired are subject to a royalty arrangement based on a Net Smelter Return (“NSR”) of 3%.

In July 2019 the Company announced the signing and implementation of a project agreement (the “Agreement”) with Wabauskang First Nation and Lac Seul First Nation (together the “First Nations”) with respect to the PG Mine Project. The Agreement provides for communication, cooperation, and collaboration between the First Nations and the Company, and establishes a framework for support for current and future operations of the PG Mine Project and defines the long-term benefits for the First Nations. Under the terms of the Agreement, the Company issued 500,000 common shares to each First Nation on August 19, 2019. At the time of issuance, the 1,000,000 common shares had a fair value of \$630,000.

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### 8. RECLAMATION DEPOSITS

The Company has a surety bond arrangement with a United States-based surety group (the “Surety”), with respect to closure plans for PG Mine Project. As a condition for the surety bonds, the Company is required to hold a deposit of \$1,322,799, as collateral with a US bank. The deposit currently yields interest at a rate of 0.09% per annum and has no maturity date.

The collateral required by the Surety has resulted in a reclamation deposit balance at September 30, 2020 of \$1,322,799 (December 31, 2019 - \$1,322,799). All deposits are classified as long-term, regardless of their term, as the funds will remain on deposit until the surety bonds are extinguished.

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# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 9. LOANS AND BORROWINGS

	Creditor Facility	Production Payment Agreement (b)	Total
Loans and borrowings at January 1, 2019	-	-	-
Fair Value on initial recognition	16,181,705	3,945,199	20,126,904
Deferred charges	(1,540,319)	-	(1,540,319)
Interest and accretion	780,648	235,065	1,015,713
Gain on change in FV of derivative	(206,931)	-	(206,931)
Foreign exchange gain	(298,775)	(83,035)	(381,810)
<b>Loans and borrowings at December 31, 2019</b>	<b>14,916,328</b>	<b>4,097,229</b>	<b>19,013,557</b>
Advance on Credit Facility	27,820,000	-	27,820,000
Deferred charges	(3,643,278)	-	(3,643,278)
Interest and accretion	2,332,478	388,333	2,720,811
Loss on change in fair value of derivative	4,027,977	-	4,027,977
Amortization of deferred charges	497,129	-	497,129
Foreign exchange (gain) loss	(817,902)	104,950	(712,952)
<b>Loans and borrowings at September 30, 2020</b>	<b>45,132,732</b>	<b>4,590,512</b>	<b>49,723,244</b>
<b>Current</b>	<b>(3,113,126)</b>	<b>-</b>	<b>(3,113,126)</b>
<b>Loans and borrowing non-current</b>	<b>42,019,606</b>	<b>4,590,512</b>	<b>46,610,118</b>

#### a. Credit Facility

On April 30, 2020 the Company made its second draw on the Credit Facility in the amount of USD 20,000,000, subject to an issue discount of 2%. The issue discount, along with a proportion of the deferred finance costs previously recognized on the balance sheet, have been included in the amortized cost of the second drawdown, and will be amortized on an effective interest rate basis over the life of the Credit Facility. The effective interest rate of the second drawdown was 12.29% per annum. At September 30, 2020, the undrawn balance of the Credit Facility was USD 35 million. Accrued interest has been capitalized as borrowing costs within mine properties, plant and equipment. The fair value of the interest rate floor derivative liability as at September 30, 2020 was \$4,569,165 (December 31, 2019 - \$703,676). During the three and nine months ended September 30, 2020, the Company recognized a \$201,897 gain and a \$4,027,977 loss on the change in fair value of derivative, respectively (September 30, 2019 - \$206,931 gain).

The Company may elect to prepay the outstanding principal balance in whole or in part provided that the Company makes such prepayment during the period commencing August 6, 2021. The Company shall pay to Spratt an additional amount equal to 3% of the amount of such prepayment if it is repaid anytime between August 6, 2021 and one year thereafter. Any prepayment after this date does not carry any penalty. The prepayment option has been determined to be an embedded derivative that is not closely related to the Credit Facility, and is bifurcated and accounted for separately. At each reporting period, the derivative is fair valued with changes in fair value recorded as an expense in profit or loss. As at September 30, 2020 this derivative has a nominal fair value (December 31, 2019 – nil).

At September 30, 2020 the Company was in compliance with the covenants under the Credit Facility.

#### a. Production-linked Liability (“PPA”)

Interest incurred on the PPA continues to be capitalized as borrowing costs to mine property, plant and equipment, until the Company has reached commercial production, at which time interest will be expensed to profit and loss. The effective interest rate of the PPA is approximately 11.7% per annum.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 10. GOLD STREAM DERIVATIVE LIABILITY

	<b>Gold Stream derivative liability</b>
Balance at January 1, 2019	-
Fair Value on recognition	31,867,085
Loss on change in fair value	6,514,304
Foreign exchange gain	(767,454)
<b>Balance at December 31, 2019</b>	<b>\$ 37,613,935</b>
Loss on change in fair value	2,807,764
Foreign exchange loss	129,683
<b>Balance at September 30, 2020</b>	<b>\$ 40,551,382</b>

As at September 30, 2020, the fair value of the Gold Stream was \$40,551,382 (December 31, 2019 - \$37,613,935), with a loss on change in fair value during the three and nine months ended September 30, 2020 of \$6,698,184 loss and a \$2,807,764 loss, respectively, recognized in net loss (2019 – \$3,383,478).

### 11. PROVISION FOR CLOSURE AND RECLAMATION

The Company has recognized a liability relating to its PG Mine Project and has determined that no significant closure and reclamation liabilities exist in connection with the activities on its other properties. The Company has calculated the present value of the closure and reclamation provision at September 30, 2020 using a pre-tax discount rate of 0.57% and inflation rate of 2.00% (December 31, 2019 – 1.70% and 2.00%, respectively). The estimated total future undiscounted, but inflation-adjusted, cash flows to settle the provision for closure and reclamation at September 30, 2020 is \$23,424,877 (December 31, 2019 - \$20,470,379). The Company has estimated that payments will be made in 2032 (December 31, 2019 – 2032).

	Nine months ended September 30, 2020	Year Ended December 31, 2019
Balance, beginning of the period	\$ 16,508,920	\$ 2,438,919
New estimated cash flows and changes in estimates	5,207,816	14,029,131
Accretion on discounted obligation	131,352	40,870
<b>Balance, end of the period</b>	<b>\$ 21,848,088</b>	<b>\$ 16,508,920</b>

The new estimated cash flows and changes in estimates is a result of new disturbances from the continuing development of the PG Mine Project in addition to updates to the Company's closure plan.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 12. LEASES

#### a. Right-of-use assets

The Company leases assets such as office space, mobile equipment and equipment. These assets are classified as property, plant and equipment in the statement of financial position.

Balance – January 1, 2019	\$ 722,232
Depreciation	(149,066)
Balance – December 31, 2019	573,166
Additions	1,745,518
Depreciation	(111,783)
<b>Balance – September 30, 2020</b>	<b>\$ 2,206,901</b>

The Company's lease with respect to its head office premises is held and paid by Oxygen (Note 14) pursuant to the Oxygen Agreement (Note 14).

#### b. Lease liabilities

The following table relates to all leases identified under IFRS 16:

Balance – December 31, 2018	\$ 13,270
January 1, 2019 opening balance adjustment – IFRS 16 adoption	689,918
Principal payments	(183,744)
Finance charge	51,845
Balance – December 31, 2019	571,289
Additions	1,745,518
Principal payments	(242,920)
Finance charge	50,381
<b>Balance – September 30, 2020</b>	<b>2,124,268</b>
Less: current portion	(1,794,535)
<b>Long term lease liability – September 30, 2020</b>	<b>\$ 329,733</b>

Minimum lease payments in respect of the above lease liabilities and the effects of discounting are as follows:

	<b>Up to 1 year</b>	<b>1 to 5 years</b>	<b>Total</b>
Minimum lease payments	\$ 1,916,330	\$ 357,910	\$ 2,274,240
Finance charge	(121,795)	(28,177)	(149,972)
<b>Total principal payments</b>	<b>\$ 1,794,535</b>	<b>\$ 329,733</b>	<b>\$ 2,124,268</b>

Total undiscounted lease payments excludes leases that are classified as short-term and leases for low-value assets, which are not recognized as lease liabilities.

For the three and nine months ended September 30, 2020, the Company recognized \$28,572 and \$50,381, respectively, in interest expense on lease liabilities (2019 - \$12,437 and \$39,803, respectively).

The Company's lease with respect to its head office premises includes variable payments that do not depend on an index or rate. As such, these payments have been excluded from the lease liability. The Company expensed \$28,655 and \$85,020 of variable lease payments during the three and nine months ended September 30, 2020, respectively (2019 - \$29,933 and \$77,748, respectively).

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars Unless Noted Otherwise)

### 13. EQUITY

#### a. Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

#### b. Private Placements

On June 17, 2020, the Company completed a non-brokered private placement of 9,868,421 Charity Flow Through Shares (the "Charity FT Shares") at a price of \$1.52 per Charity FT Share, for gross proceeds of \$15,000,000. In connection with the private placement, the Company paid commissions, legal fees and filing fees totaling \$1,017,226. As a result of the Charity FT Shares, the Company recognized a flow-through premium liability of \$3,256,579 (Note 16).

On March 29, 2019 the Company completed a bought deal private placement of 7,723,975 Flow Through Shares (the "FT Shares") at a price of \$0.67 per FT Share, for gross proceeds of \$5,175,063. In connection with the private placement the Company paid commissions, legal fees and filing fees totaling \$526,312.

The Company had incurred the full qualifying resource expenditures relating to the March 2019 private placement by December 31, 2019. The Company filed its renunciation forms in February 2020, and therefore reversed the associated flow-through premium liability and recognized a deferred tax recovery of \$849,637 in the Company's consolidated statement of income (loss) and comprehensive income (loss).

#### c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the nine months ended September 30, 2020 and the year ended December 31, 2019 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding Balance – December 31, 2018	14,465,000	\$0.85
Issued	43,207,000	\$0.85
Outstanding Balance – December 31, 2019	57,672,000	\$0.85
Exercised	(21,777,500)	\$0.85
<b>Outstanding Balance – September 30, 2020</b>	<b>35,894,500</b>	<b>\$0.85</b>

#### *Exercise of warrants*

In connection with the warrants exercised during the period, the related fair value amount of \$2,173,116 (2019 - nil) was transferred from equity reserves to share capital.

#### d. Stock Options

The Company has established a share purchase option plan (the "Stock Option Plan") whereby the board of directors may, from time to time, grant options to directors, officers, employees, consultants or technical and administrative company employees (Note 14). Options granted must be exercised no later than five years from the date of grant or such lesser or greater period as may be determined by the Company's board of directors and in accordance with the policies of the TSX-V. The exercise price of an option must be determined by the board of directors and in accordance with the Plan and the policies of the TSX-V. Subject to the policies of the TSX-V, the board of directors may determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist. The Company applies the fair value based method of accounting for options.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 13. EQUITY (continued)

#### d. Stock Options (continued)

At September 30, 2020, the following options are outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life in Years	Number of Options Exercisable
November 11, 2020	\$0.43	183,333	0.12	183,333
December 11, 2020	\$0.11	1,050,000	0.20	1,050,000
May 26, 2021	\$0.63	400,000	0.65	400,000
November 14, 2021	\$0.72	75,000	1.12	75,000
December 21, 2021	\$0.44	4,480,000	1.22	4,480,000
July 24, 2022	\$0.54	100,000	1.81	100,000
December 15, 2022	\$0.49	4,861,667	2.21	3,783,336
May 6, 2024	\$0.54	200,000	3.60	66,667
November 18, 2024	\$0.64	250,000	4.14	-
December 13, 2024	\$0.74	4,608,333	4.21	2,558,334
February 19, 2025	\$0.77	350,000	4.39	350,000
June 24, 2025	\$1.54	300,000	4.73	-
	<b>\$0.55</b>	<b>16,858,333</b>	<b>2.44</b>	<b>13,046,670</b>

The options exercisable at September 30, 2020 have a weighted average exercise price of \$0.50.

Details of options granted, exercised, expired and forfeited during the nine months ended September 30, 2020 and the year ended December 31, 2019 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – December 31, 2018	18,450,000	\$0.39
Granted during the year	5,185,000	\$0.73
Exercised during the year	(3,146,667)	\$0.35
Expired during the year	(590,000)	\$0.35
Forfeited during the year	(43,333)	\$0.61
Balance – December 31, 2019	19,855,000	\$0.49
Granted during the period	650,000	\$1.13
Exercised during the period	(3,181,666)	\$0.30
Expired during the period	(350,000)	\$0.28
Forfeited during the period	(115,001)	\$0.65
<b>Balance – September 30, 2020</b>	<b>16,858,333</b>	<b>\$0.55</b>

#### Granting of Options

The fair value of newly granted options are calculated using the Black-Scholes option pricing model. For all grants, the assumed dividend yield and forfeiture rate were nil and nil, respectively. Other conditions and assumptions for options granted in the nine months ended September 30, 2020 and the year ended December 31, 2019 were as follows:



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## Notes to the Condensed Interim Consolidated Financial Statements

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### 13. EQUITY (continued)

#### d. Stock Options (continued)

Issue Date	Expected Life of Options in Years	Exercise Price	Risk-free Interest Rate	Volatility	Weighted Average Black-Scholes Fair Value
May 6, 2019	5.0	\$0.54	1.59%	66.89% <sup>1</sup>	\$0.30
Nov 18, 2019	5.0	\$0.64	1.48%	55.03% <sup>1</sup>	\$0.31
Dec 13, 2019	5.0	\$0.74	1.59%	53.95% <sup>1</sup>	\$0.35
Feb 19, 2020	5.0	\$0.77	1.36%	50.94% <sup>1</sup>	\$0.35
June 24, 2020	5.0	\$1.54	0.38%	49.25% <sup>1</sup>	\$0.65

<sup>1</sup>Volatility was determined using the average historic volatility of the Company, calculated over the same period as the expected life of the option.

Options granted are typically subject to vesting provisions whereby one third vest one year from the grant date, one third vest two years from the grant date, and one third vest three years from the grant date. The 4,735,000 options granted December 13, 2019 were subject to vesting provisions whereby one third vested at the grant date, one third will vest one year from the grant date, and one third will vest two years from the grant date.

During the three months ended September 30, 2020, the Company recognized \$218,629 of share-based compensation (2019 - \$119,989), of which \$83,475 (2019 - nil) was capitalized to mine development within mine property, plant and equipment, and \$135,154 (2019 - \$119,989) was expensed to the statement of loss and comprehensive loss.

During the nine months ended September 30, 2020, the Company recognized \$735,667 of share-based compensation (2019 - \$378,172), of which \$243,192 (2019 - nil) was capitalized to mine development within mine property, plant and equipment, and \$492,475 (2019 - \$378,172) was expensed to the statement of loss and comprehensive loss.

#### *Exercise of Options*

The weighted average share price on the date the stock options were exercised during the period was \$1.93 (2019 - \$0.55). In connection with these option exercises, the related fair value amount of \$631,156 (2019 - \$801,066) was transferred from equity reserves to share capital.

#### e. Deferred Share Units (“DSU”)

The Company has established a deferred share unit plan (the “DSU Plan”) whereby the board of directors may, from time to time, grant DSUs to non-employee directors of the Company. The DSUs vest immediately and can be redeemed by the holder during the period commencing immediately following a termination of the holders’ position as a director and ending on the 90<sup>th</sup> day following such termination date. The current maximum number of common shares authorized for issue under the DSU plan is 3,000,000.

A summary of DSU activity during the period is as follows:

	Number of DSUs
Outstanding Balance – December 31, 2019	-
Granted	103,306
<b>Outstanding Balance – September 30, 2020</b>	<b>103,306</b>

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## Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars Unless Noted Otherwise)

### 13. EQUITY (continued)

#### e. Deferred Share Units (continued)

On July 20, 2020 and September 30, 2020, the Company granted 100,000 and 3,306 DSUs, respectively, to directors of the Company. The weighted average fair value of each DSU granted during the period was \$2.14.

DSU expense for the three and nine months ended September 30, 2020 was \$221,175 (2019 - \$nil) which was recorded within Share-based payment expense in the Statement of Loss and Comprehensive Loss.

### 14. RELATED PARTY TRANSACTIONS

#### Oxygen Capital Corp (“Oxygen”).

Oxygen is a private company partially owned by one director and one officer of the Company. Oxygen provides technical and administrative services to the Company under an Amended Technical and Administrative Services Agreement (the “Oxygen Agreement”) at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at September 30, 2020, Oxygen holds a refundable deposit of \$396,280 on behalf of the Company (December 31, 2019 - \$305,280). During the nine months ended September 30, 2020, a total of \$1,378,239 (2019 - \$1,327,451) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at September 30, 2020, the Company has a payable amount to Oxygen of \$150,304 (December 31, 2019 - \$154,130).

The Oxygen Agreement was amended on January 20, 2020 and may be terminated by either party giving at least 180 days’ prior written notice of such termination. Upon termination, by the Company, of the Oxygen Agreement, the Company shall pay to Oxygen an amount equal to the average general and administrative monthly costs incurred under the Agreement for the previous six month period, the Company’s share of committed lease costs, any employee termination fees due under the Agreement as a result of the termination as such term is defined under the Agreement, and the Company’s share of any contractual obligations entered into on its behalf by Oxygen.

#### Compensation of key management personnel

Key management includes members of the Board, the President and Chief Executive Officer, the VP of Exploration, the VP of Operations, the Chief Financial Officer, and the Corporate Secretary. The total compensation paid or payable to key management for employee services directly or via Oxygen is as follows:

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Salaries and other short-term employee benefits	\$ 934,860	\$ 903,750
Directors fees	414,083	307,500
Share-based compensation	702,074	233,242
<b>Total</b>	<b>\$ 2,051,017</b>	<b>\$ 1,444,492</b>

### 15. SEGMENTED INFORMATION

The Company conducts its business in a single operating segment which is the development of the PG Mine. All of the Company’s exploration and evaluation assets are located in Canada. Any investment revenues were earned principally from Canadian sources.

# Pure Gold Mining Inc.

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### 16. COMMITMENTS & CONTINGENCIES

	Total	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years
Loans and borrowings	<b>\$64,203,905</b>	4,431,288	6,825,470	8,965,623	11,730,356	10,726,440	21,524,728
Accounts payable and accrued liabilities	<b>\$24,557,455</b>	24,557,455	-	-	-	-	-
Production linked payments	<b>\$ 6,669,500</b>	729,541	993,232	1,220,691	1,001,956	1,693,603	1,030,477

As at September 30, 2020, the Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to the June 17, 2020 private placement (Note 13b). The Company must incur the \$15,000,000 of qualifying resource expenditures in relation to the Charity FT Shares before January 1, 2022. If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfil its flow-through commitments within the given time constraints.

### 17. FINANCIAL INSTRUMENTS

#### a. Financial Assets and Liabilities

At September 30, 2020, the carrying amounts of cash, short-term investments, interest receivable, deposits, reclamation deposits, accounts payable, and accrued liabilities are considered to be a reasonable approximation of their fair values, due to their short-term nature.

#### b. Fair Value

Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk.

All financial instruments for which fair value is recognized or disclosed are categorized within a fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The three levels of the fair value hierarchy are described below:

**Level 1** – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

**Level 2** – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

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### 17. FINANCIAL INSTRUMENTS (continued)

#### b. Fair Value (continued)

**Level 3** – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

At September 30, 2020 the fair values of the embedded derivatives in the Credit Facility and the Gold Stream are determined using Level 3 inputs. All other financial instruments are categorized as Level 1.

The fair value of the embedded derivatives in the Credit Facility was determined using the Hull-White valuation model. Key inputs include: the US dollar swap curve and the Company's credit spread and the Company's life of mine production profile.

The fair value of the Gold Stream was determined using a discounted cash flow model. Components to fair value at each reporting date include:

- Change in the risk-free interest rate
- Change in the Company's credit spread
- Change in any expected ounces to be delivered
- Change in expected future metal prices
- Life of mine production profile

A 1% change in discount rate would have a \$110,000 impact on the fair value of the Gold Stream derivative. A 1% change in gold price would have a \$255,000 impact on the fair value of the Gold Stream derivative.

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between levels in the fair value hierarchy during the nine months ended September 30, 2020.

### 18. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine months Ended September 30, 2020	Year Ended December 31, 2019
<b>Non-Cash Investing and Financing Activities</b>		
Recognition of lease liability	\$ 1,745,519	\$ 1,745,519
Change in estimate of provision for closure and reclamation	\$ 5,207,816	\$ 14,029,130
Shares issued in debt financing	\$ -	\$ 2,381,420

### 19. SUBSEQUENT EVENTS

The following items occurred after September 30, 2020:

- 833,333 stock options were exercised at an exercise price of \$0.11.
- 75,000 stock options were exercised at an exercise price of \$0.44.
- 50,000 stock options were exercised at an exercise price of \$0.49.
- 25,000 stock options were exercised at an exercise price of \$0.74.
- 259,000 Warrants were exercised at an exercise price of \$0.85.